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# VALUE CHAINS TRANSFORM KENYAN FARMER GROUPS INTO ENTREPRENEURIAL ENTITIES

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The “Enhancement of Farmer Entrepreneurship for Development” programme is facilitating smallholder farmer capacity building and stakeholder engagement in Kenyan counties, to enable farmer groups to become more business oriented. The programme has also analysed the priority agricultural product value chains to identify opportunities within the markets.

The Enhancement of Farmer Entrepreneurship for Development programme (EFED) was the result of a collaboration agreement between the Kenya National Farmers Federation (KENAFF) and AGRITERRA – a Dutch agro-agency. Running from 2011-2014, the programme focused on enhancing productivity and improving market access for agricultural produce at national, regional and international levels.

EFED was piloted for a year in 2011, following which and for the next 4 years, there were three international missions by AGRITERRA to conceptualise and contextualise a joint working framework. Six pre-inception studies were carried out in six Kenyan counties, namely Kwale in the Coastal region, Kakamega in Western Kenya, Murang’a in central Kenya, Meru North in Eastern Kenya, Bomet in the Rift Valley and Bondo in the Nyanza region. The pre-inception studies were meant to analyse the priority agricultural product value chains (APVCs) in these counties. Stakeholders were invited to provide inputs into the process by conducting a comprehensive value chain analysis with the aim of identifying opportunities that agricultural markets, and value chains, could offer within the counties.

AGRITERRA and KENAFF jointly supported five counties, namely Bomet, Bondo, Lugari, Meru North

and Murang’a. EFED’s aim was to transform farmer groups into entrepreneurial entities – or producer business groups (PBGs) – through capacity building and engagement with actors in the priority value chains to improve rural livelihoods. More specifically, the objectives of the project were:

1. To sensitise and select common interest groups (CIGs) to cluster and form PBGs in priority APVCs;
2. To facilitate these PBGs in developing bankable business plans;
3. To identify and finance the designated business development services needed by the PBGs during their first year of operation;
4. To lobby government on key issues emerging from the value chain studies.

After the value chain prioritisation process had been completed, it became clear that dairy, poultry and cereals (maize) were the priority value chains identified by stakeholders.

### **Value chain management**

The project formed value chain management committees (VCCs) in the respective EFED counties. The formation and election of the VCCs was necessary because EFED was an entrepreneurship project and business oriented, hence, needed to

*Cover CIGs sensitization meetings*



*Right CIGs sensitization meeting*



harness the expertise of different value chain actors. Formation and election criteria were based on representing the various stages of the value chain so each APVC actor would be represented on the committee. As shown in the figure below, the value chain is characterised by the relationship between actors with specific functions.

Stakeholders, leaders, farmers and their representatives were invited to attend a one-day function at specified venues, which focused on popularising the business cases in the districts and mobilising stakeholders for support and buy in. Local FM radio stations and posters were used to mobilise and sensitise farmers to attend the meetings.

**Table 1:** *Representatives in the VCCs*

Pre-production	Production	Product handling	Processing	Marketing	Consumption
Extension agents	Producers	Representatives of:	Representatives of:	Representatives of:	Hotels
Feed manufacturers	Feed manufacturers	Farmers	Cooperative societies	Cooperatives	Households
Service providers	Clinical services service providers	Collection centres	Processing plants	Private companies	Representatives
Research & development		Cooperatives	Government parastatal	Milk bars	
			Cottage industry	Hawkers	
				Supermarkets	

# In Meru, the model attracted the formation of PBGs in banana, dairy and Irish potatoes.

The KENAFF management and leadership also attended. During the meetings, the VCC members were introduced and mandated by the audience to carry out their functions i.e. organising farmers into business groups and popularising the approach to their groups.

In order to strengthen the messages of project meetings, specific APVC A3 posters were designed and printed for each APVC. The posters were distributed to VCC members and were used during local sensitisation meetings. In the project counties, the VCC identified project locations and divisions based on the production level of the produce concerned. Advertisements were made via local radio stations to inform the farmers of the project. CIGs of

the identified value chains were recruited and over 50 meetings were held during this process. The main aim of the project was to transform the farmer groups into strong, formidable entrepreneurial entities referred to as PBGs. The project designed and printed A3 PBG posters and A5 fliers that were used during PBG sensitisation meetings.

Last, local FM radios in the project areas are being used to sensitise the CIGs about how to register to form PBGs. Meetings were also organised at divisional levels where it was envisaged the collection centers would be established for each priority value chain.

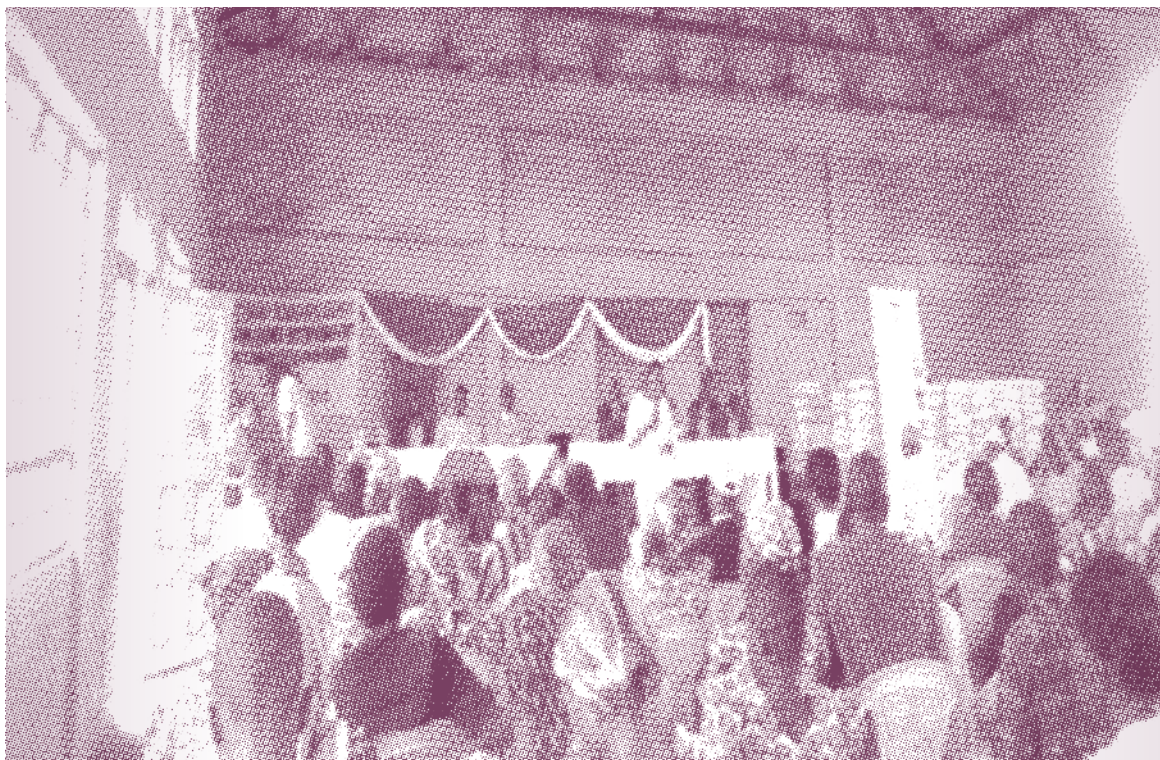
The project team developed a PBG capacity building manual designed to build up entrepreneurial

*Table 2: Results*

County	Number of meetings	CIGs sensitised	PBGs formed during reporting period	Cumulative PBGs formed
<b>Siaya</b>	24	67	5	20
<b>Kwale</b>	21	35	3	13
<b>Murang'a</b>	31	20	6	13
<b>Bomet</b>	50	80	4	14
<b>Meru</b>	22	56	4	15
<b>Kakamega</b>	36	65	5	14
<b>Total</b>	<b>184</b>	<b>323</b>	<b>27</b>	<b>90</b>



*Right CIGs sensitization meeting*



capacities. The manual had six modules: leadership and governance; strategic growth in farmers' organisations; agribusiness; value chain approach to agribusiness; market management and partnerships; and networking and linkages. The manual was to be tested and evaluated before being used.

### **A successful model**

The project's achievements were linked to the number of PBGs formed and business growth.

In addition to the number of PBGs formed during the project, another success factor was evidence of the

formation of other value chain-based PBGs championed by other projects and stakeholders in the project counties. In Kakamega, the priority value chain was dairy but, in addition, four other value chains supported by organisations (indigenous poultry, soy bean, amaranth and sunflower) emerged and formed PBGs. It was clear that the supporting organisations had recognised the value of the PBG model in agribusiness development. In Meru, the model attracted the formation of PBGs in banana, dairy and Irish potatoes, leading to a total of 15 PBGs.

In Bomet, the prioritised value chain was maize, but additional PBGs dealing with indigenous poultry,



### **"I chose poultry..."**

Mrs Wafula from Kakamega, where workshop participants had prioritised the dairy value chain, chose to join a poultry value chain CIG and focus on poultry production.

She says, "I chose poultry because my farm size is small and since poultry keeping requires little space and investment compared to a dairy cow, I realised I could easily get started on it".

Mrs Wafula also has experience in poultry keeping, although not in the way the experts have trained her. After receiving training on poultry housing, with the help of her husband, Mrs Wafula constructed a simple poultry house using locally available materials.

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*Mrs Wafula*

Irish potatoes and dairy were established by others. In Siaya, the value chain of choice was indigenous chicken, but due to the success of the PBG business model, a groundnut value chain emerged and farmers formed a groundnut PBG and started processing peanut butter. In the Murang'a sub-county, dairy was the chosen value chain but due to the success of the model, the farmers also formed an indigenous poultry PBG.

For the successful and continuous operation of the PBGs, collaboration with other stakeholders is essential. The project – which ended in 2014 – achieved its objectives and the PBGs formed are continuing with their businesses. The PBG model has been a success and many other projects have adopted it.

### ***What did we learn?***

In the process of mobilising the CIGs to form PBGs, there were a number of lessons learnt. Firstly, it became clear that the PBG model can be applied to any value chain, enabling significant business growth with time. However, the process requires continuous capacity building of farmers and group leaders, and hence a lot of resources. Building trust among farmers and other value chain players is a process that cannot be forced, but can grow with time as they work together, and as interactions increase.

It was also evident that the formation and running of PBGs requires qualified personnel who can guide the group to ensure quality adherence, and a consistent supply of produce. Also, these qualified experts can help link the groups to other stakeholders, including financial service providers, extension services and input suppliers. These personnel should be people who have a knowledge of group dynamics and can mobilise resources because the process requires, among other things, the acquirement of business equipment.

In the formation of a PBG, the initial selection of a value chain is a major factor in ensuring success. As many key farmer leaders and experts as possible should be invited to the initial value chain ranking workshop to give their opinion, and vote on the value chain ranking of importance. This ensures that the

value chain selected will be supported because it has been chosen by and for the farmers and other value chain practitioners.

It became clear that as a business grows and expands, the PBG model allows for enterprise growth and the incorporation of other activities, like processing and collective input acquisition. A PBG can also develop to provide unique and attractive services and products that motivate others. It was realised that although farmers contributed to the business startup process, there was a need for initial support, especially as far as business equipment and other start-up expenses were concerned.

During the process of operationalising this model, it was noted that farmers change their priorities with time. Therefore, there is a need for innovation in the process of product diversification. Connection to the market is also essential, as it helps farmers recognise what the consumer wants, enabling them to include or improve certain products in their business. It was noted that consistency in production and quality of the product is vital in driving the marketing efforts and sustainability of PBGs. KENNAF has now adapted this approach to all its farmer-driven value chain initiatives.



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